

Natural gas imports leave U.S. vulnerable

By BRAD FOSS Associated Press

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WASHINGTON -- The United States is increasingly going overseas to meet its natural gas needs, setting in motion a significant shift with a familiar, if unpleasant, side effect for the world's largest energy consumer.

Federal regulators expect a dozen new liquefied natural gas terminals will come online during the next several years. More than 40 are under consideration along the nation's coastline, including BP's proposed Crown Landing complex on the Delaware River opposite Claymont.

The BP terminal would be sized to handle a new generation of tankers capable of delivering enough LNG to meet the daily energy needs of 17.3 million homes with a single trip.

But as America becomes a bigger player in the global natural gas trade, its vulnerability to faraway production snags and price gyrations will rise, as will its dependence on energy from the Middle East and other volatile regions.

Unlike oil, natural gas has for decades had the advantage of being a local energy source. It either came from within the United States or by pipeline from Canada. But as North American supplies dwindle and demand grows, the energy industry is investing billions of dollars to ship the fuel across oceans as liquefied natural gas, or LNG.

LNG is still a relatively small source of energy for the United States. But imports are expected to rise fivefold during the next decade, intensifying the competition with Europe and Asia for natural gas coming from the Middle East, West Africa and former Soviet countries.

"There's a geopolitical overlay that's going to look similar to oil," said Michael Zenker, managing director of the global natural gas team at Cambridge Energy Research Associates.

Which means the price that American homeowners, manufacturers and power plants pay for natural gas will increasingly be linked to weather in Europe and economic growth in Asia -- not to mention the political stability of countries such as Russia, Iran and Qatar, which combined hold more than half of the world's reserves.

The reverse is also true.

"A surge in U.S. demand could effectively raise the price for spot LNG cargoes, affecting the price in Japan and other countries," said George Beranek at PFC Energy in Washington.

Fuel-hungry America is already the third-largest LNG importer, behind South Korea and Japan, according to Energy Department statistics. Spain and France are other big importers, while China and India are expected to be players down the road.

Fuel prices already have raised stakes in the race for LNG terminal permits, with each tanker load of gas now worth tens of millions and annual gross revenues of BP's proposed terminal estimated in the billions. The prospect has even spurred Philadelphia Gas Works to propose an import operation at its decades-old Port Richmond gas storage center on the Delaware River about a mile east of City Hall -- a prospect that has alarmed some environmental and citizen groups.

Prices in U.S. linked to foreign events

Until recently, the North American natural gas market was an island unto itself with an abundant resource, and prices were relatively cheap. A supply disruption in the Gulf of Mexico might temporarily drive up prices, but a problem with output in the Persian Gulf would have no impact.

The fact that natural gas is cleaner-burning than heating oil and coal only burnished its public image, and demand grew rapidly during the 1990s as it became the fuel of choice for heating new homes and running new power plants.

Gradually, U.S. and then Canadian output began to taper off. Producers drilled more wells, but could not offset the depletion of existing wells while satisfying rising demand.

To bridge the gap, LNG imports tripled in the '90s, rising to 226 billion cubic feet per year by 2000. And they nearly tripled again by 2004, climbing to 652 billion cubic feet, or 3 percent of total natural gas consumption.

But there is still not much of a supply cushion in the U.S. natural gas market, which is a major reason why prices climbed steadily in recent years -- and then skyrocketed after Hurricane Katrina disrupted output in the Gulf of Mexico. Natural gas futures averaged \$9.01 per 1,000 cubic feet in 2005, more than five times the price in 1995.

Supply concerns have helped shore up support for the BP and Philadelphia LNG terminal proposals. Business groups in three states have endorsed the idea, citing hope that local LNG deliveries will stabilize local gas prices and supplies and make local economies more attractive to industry.

Jurisdictional disputes have delayed BP's project, however. Delaware refused to issue a permit for a dock to serve BP's terminal in New Jersey, triggering a U.S. Supreme Court fight that could take years to resolve.

Meeting anticipated demand by 2015 could require the United States to import more than 10 billion cubic feet per day of LNG, according to government and industry statistics. That's more than it will get from Canada via pipeline.

The competition for LNG will be most pronounced in the spot market, a small piece of the global trade in which tankers are usually directed on short notice to wherever the price is highest. But analysts said it could also affect long-term supply contracts because those deals are bench-marked to futures prices, which rise and fall according to short-term events. The United States buys LNG primarily on the spot market.

The industry prefers to sell at least a portion of its LNG through long-term agreements to help pay for the large capital investments needed to build critical infra- structure, including plants to liquefy the natural gas, refrigerated double-hulled ships to transport it and terminals on the receiving end to regasify the fuel.

Indeed, companies like Exxon Mobil, Royal Dutch Shell and BG Group -- the largest importer of LNG into this country -- are making multibillion-dollar investments, creating what one BG executive has called a "global virtual pipeline." The United States has five LNG import terminals today and four under construction.

Buying patterns put America at disadvantage

Some analysts say the United States is already feeling the impact of global events that a decade ago would not have registered a ripple in its natural gas market.

For example, UBS natural gas analyst Ronald Barone noted in a recent report how U.S. supplies tightened in January because LNG originally scheduled for delivery at a terminal in Cove Point, Md., was redirected to Europe. European demand for natural gas rose during the past year, analysts said, because of a new import terminal in Britain and a drought that sapped strength from Spain's hydropower sector.

In fact, much of the LNG shipped to the United States from Trinidad -- the biggest supplier to the United States -- is actually contracted for delivery to Spain, which resells the fuel it does not need into the U.S. market. But as Spanish utilities required more LNG to help fuel power plants, less was available to the United States

"When things go bad, the U.S. is currently the one that suffers worst because it's mostly a spot market. It's the market of last resort," said Gavin Law, head of the global LNG practice at consultant Wood Mackenzie in Houston, Texas.

Staff reporter Jeff Montgomery contributed to this article.

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Testimony
United States Senate Committee on the Judiciary
"Consolidation in the Oil and Gas Industry: Raising Prices?"
March 14, 2006

Mr. David Boies

Chairman , Boies, Schiller and Flexner, LLP

Testimony

Before the Committee on the Judiciary, United States Senate

Statement of David Boies

Boies, Schiller & Flexner, LLP

Counsel for the Alaska Gasline Port Authority

Mr. Chairman, Members of the Committee, thank you for the opportunity to address the Committee on the important issues of rising energy prices and consolidation in the oil and gas industry. In particular, I would like to address certain anticompetitive practices in the oil and gas industry, the rising price of natural gas, and potential improvements in the antitrust laws to address these issues.

Introduction

As this Committee is well aware, for the last several years the price of natural gas has risen steadily and sharply. This trend significantly burdens the U.S. economy and the average American. As millions of people struggle to meet the rising energy costs, vast amounts of natural gas sit idle beneath Alaska's North Slope. The reason those resources have stayed in Alaska and have not been brought to market is that ExxonMobil and BP, the companies that control the production of most of those resources, have decided between themselves that they would prefer to withhold this gas and maintain artificially high natural gas prices throughout the U.S., rather than market North Slope natural gas. Our client, the Alaska Gasline Port Authority, has brought an antitrust lawsuit challenging those practices. My testimony here today is not to argue that lawsuit, but to examine the behavior of those producers and the market structure to assist this Committee in determining whether any revision to the antitrust laws is necessary.

The Rising Cost of Natural Gas

The U.S. Department of Energy estimates that the U.S. average consumer price for natural gas for the winter of 2005-2006 increased 22.7% over last winter. Large and steady increases in natural gas prices are not new. Prices increased 13.1% in the winter of 2004-2005 and have risen by more than 150% over the last six years. Despite the moderating effect the most recent mild winter has had on natural gas prices, they are not expected to decline in the future.

Of course, the most vulnerable among us are the most affected by the rising prices. Millions of low income families need financial help to pay their energy bills. Millions more forgo other basic necessities to keep their utility service turned on.

ExxonMobil and BP's Control of Alaska's North Slope Natural Gas

In a competitive market, the steady climb in natural gas prices would have induced the producers to increase their efforts to bring more gas into the market with the result of increasing supply and reducing prices. However, the natural forces of competition do not appear to be working on Alaska's North Slope, where the largest owners and developers of natural gas on the North Slope of Alaska, ExxonMobil Corporation and BP p.l.c., have jointly prevented North Slope natural gas from being brought to market.

The natural gas resources lying beneath the North Slope of Alaska are immense. Conservative estimates of proven natural gas on the North Slope exceed 35 trillion cubic feet (TCF). That gas in these quantities exists has been well known for over 30 years now. Some authorities estimate there are

additional undiscovered gas resources in Alaska exceeding 150 TCF. By comparison, the total amount of natural gas consumed in the entire United States last year was approximately 22 TCF.

Ninety-four percent of the proven natural gas resources on the North Slope are owned by only three companies. Two of them, ExxonMobil and BP, together own 67% of those resources. Collectively they own over 60% of the natural gas resources in the Prudhoe Bay Unit ("PBU"), and over 75% of the working interests in the Point Thomson Unit ("PTU"). Their control over Alaska natural gas is further increased by unit operating agreements and ancillary agreements, many secret, that limit the production and development of lease interests in the PBU and PTU. For example, certain agreements effectively require both ExxonMobil and BP to agree before either markets natural gas from the PBU (other than for limited on-site use). Moreover, BP is the unit operator for the PBU and ExxonMobil is the unit operator for the PTU. Thus, ExxonMobil and BP together control the development of almost all the gas resources that they do not own.

ExxonMobil and BP's Anticompetitive Behavior

Our complaint alleges that ExxonMobil and BP have used a variety of illegal means to maintain a stranglehold on the supply of natural gas on the North Slope and prevent it from ever reaching a market. They have acted together with the purpose of eliminating competition that could threaten their control over the development, marketing and pricing of natural gas.

For years they have refused to market North Slope natural gas. For example, natural gas is extracted every day on the North Slope as a by-product of the oil production process, but instead of being sold, it is re-injected into the ground. On the PBU, natural gas amounting to approximately eight billion cubic feet per day is extracted in connection with oil production. A small quantity is used for local operations and the rest is put back into the ground. No natural gas ever makes it off the North Slope. While re-injecting natural gas has the benefit in certain situations of increasing field pressure, it is not useful for this purpose in certain situations and there are virtually always more cost-effective approaches than abandoning the development of Alaska's immense natural gas resources.

ExxonMobil and BP's actions with regard to the PTU are even more egregious. For over 25 years, ExxonMobil and BP have ignored their duty to develop their leases and have failed to produce any gas or oil from the PTU.

In addition, ExxonMobil and BP have also engaged in a concerted effort to derail any gas pipeline that could be used to transport gas from the North Slope to domestic markets in the U.S. and elsewhere. ExxonMobil and BP know that without their commitment to supply a pipeline with gas, no pipeline sponsor will receive the financing to build a pipeline. As ExxonMobil's former CEO Lee Raymond stated:

Then you have these competing pipeline proposals, which is fine if that's what you want to do. But the reality is, nobody is going to build a pipeline without the producers. You and I know how pipelines get built. The pipeline goes to the bank. The guy at the bank says, what are you going to put in your pipeline? Gas. Do you own the gas? No, I don't own the gas. Well, who does own the gas, and do you have a commitment from them that they are going to put it through the pipeline? Well, no, we don't have that. Then I don't think I'm going to give you much money to build a pipeline.

For several years the Alaska Gasline Port Authority has attempted to negotiate with ExxonMobil and BP for the purchase of natural gas. The Authority has secured significant senior permits, engineering studies, cost estimates and plans to build a natural gas pipeline. It also has \$18 billion in loan guarantees available to it. Indeed, the Port Authority's pipeline could supply 7%-10% of the total amount of natural gas used in the U.S. today. And with the amount of gas on the North Slope, it could provide that supply for decades. The only obstacle to the project is the producers' commitment to supply gas from the North Slope. Despite AGPA requests, ExxonMobil and BP have refused to engage in any discussion of the price or terms for the sale of North Slope gas.

ExxonMobil and BP's refusals to deal on the North Slope are not new. Over the years they have also jointly derailed projects proposed by other well-qualified pipeline sponsors such as Yukon Pacific Corporation, Warren Buffett's MidAmerican Energy Holdings Company, and TransCanada.

ExxonMobil and BP's refusals to deal run directly counter to their duties as leaseholders. BP has also violated the Charter BP entered into with the State of Alaska as a condition of its merger with Atlantic Richfield Co. In that Charter, BP agreed to negotiate in good faith with third parties for the sale of natural gas.

The result of ExxonMobil and BP's illegal conduct has been to artificially restrict the supply of natural gas and thereby artificially inflate the price of natural gas both in the U.S. and elsewhere.

ExxonMobil and BP's refusals to deal on the North Slope are a part of a pattern of manipulating and constricting supply in order to raise prices and increase their control of oil and gas markets. For example, in the mid-1990s, BP sold oil from Alaska in Asia at prices lower than it could have gotten in the U.S. in order to tighten U.S. oil supplies and raise the price of oil shipped to refineries on the West Coast. This scheme was set out in an e-mail exchange between two BP employees, in which they discussed "shorting" the West Coast market to achieve West Coast "price uplift scenarios." One of these employees called the plan a "no-brainer." BP's conduct resulted in high prices at the pump for gasoline across the West Coast.

In addition to foiling all efforts by others to transport natural gas off the North Slope, ExxonMobil and BP have been stalling for years on coming to terms with the State on a pipeline deal. Now, mere months after we filed our lawsuit, ExxonMobil and BP claim to have reached a deal with the State. The terms of that deal have not been publicly disclosed, but we understand that it only sets out a timeline for continued study and negotiation. In other words, ExxonMobil and BP have not committed to construction of a pipeline, they have just agreed to continue to study and negotiate. Therefore, ExxonMobil and BP remain in control of the timing of any pipeline construction. This provides them with complete control over determining when North Slope natural gas finally comes to market, and permits them to extend the period of artificially high prices. Further, it is not certain that they will ever construct a pipeline. Any agreement by ExxonMobil and BP regarding marketing of North Slope gas must be viewed in light of their ongoing failure to live up to their earlier agreements under their leases to develop this critical resource.

The Legal Issues Presented by the Restriction on Output

With this background, let me turn more specifically to the issues the Committee is studying. As this Committee knows, proving collusion can be a lengthy, difficult, expensive and uncertain endeavor. Sometimes evidence of collusion is available. In the Vitamins Antitrust Litigation, for example, we were able to prove that the vitamin suppliers got together in a room and agreed to reduce output to the U.S. markets. But proof of collusion is difficult to find and often anticompetitive cartels are never exposed to the light of day.

These problems can be particularly pronounced in the oil and gas industry. Generally speaking, it is safe to assume little good can come from situations where competitors sit down together and discuss prices or output. The mere opportunity to collude raises red flags. There are so many joint operations in the oil and gas business -- many of which apparently have received no antitrust scrutiny through the Hart-Scott-Rodino process or otherwise -- that there is great opportunity for collusion under cover of ordinary business.

Because of the anticompetitive conduct in the industry and the close associations among the operations of competitors across the globe, the regulatory agencies and Congress should take a much more careful look at all levels of joint activity to discourage collusive activity

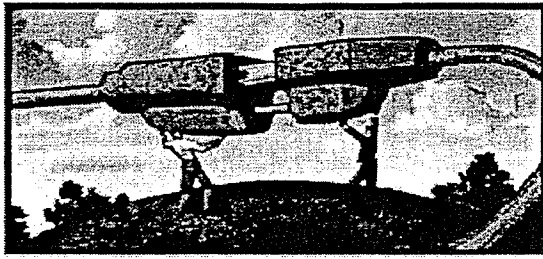
Legislative Proposals

The Committee was kind enough to share with me draft legislation designed to strengthen the current antitrust laws. This legislation proposes to prohibit unilateral withholding of oil and gas products when

done with the intent of manipulating price, and to strengthen antitrust enforcement with regard to oil and gas industry mergers. It changes the standard for evaluating the possible anticompetitive effects of mergers and acquisitions in this industry, where increased consolidation is a serious concern, to bar any merger or acquisition that may "appreciably diminish competition." In addition, the legislation authorizes a study of the effectiveness of oil and gas industry divestitures previously required by the FTC and DOJ and the establishment of a joint federal and state task force to investigate information sharing among oil and gas industry participants. Finally, the legislation proposes to abrogate the doctrine of sovereign immunity and the act of state doctrine under certain circumstances.

I applaud the initiative of the Chairman and the Committee for addressing these important and timely issues. Even where output restrictions can be addressed under current law, the proposed legislation would significantly simplify and expedite preventing and remedying output restrictions of the sort engaged in by ExxonMobil and BP to the detriment of American consumers. For this reason, this newly drafted legislation deserves serious review and consideration.

In addition to the proposed legislation, another idea that deserves serious consideration is an examination of Hart-Scott-Rodino requirements, and the enforcement of those requirements, to ensure that the various unitization agreements, unit operating agreements and ancillary agreements, and joint venture operating agreements in the oil and gas industry receive appropriate antitrust scrutiny.



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February 24, 2006

JUICE: Lines on a Map	3
IdaCorp Breaks Away to Settle High Sales Claims.....	5
Otay Mesa Has SDG&E 'Nonbinding' Sale Letter	7
Hunters Point Shutdown Imminent ..	7
Legislators Comb Regulatory Energy Plans	8
Yucca Mtn. Hydrology Needs 'Do Over'	9
CEC Plans for Energy-Saving Devices in New Buildings.....	11
CPUC Policy Boosts Climate Action Registry.....	12
Once-Through Cooling Ban Pitched	12
Ferguson: Energy Matters	13
Shorts Circuit	14

CEC's Utility Data Release Gets Court Approval

Two court rulings allowing the California Energy Commission to trump utilities' secrecy concerns affects a controversial proceeding at the CEC's sister agency involving data confidentiality parameters. Utilities have not decided whether to take their case for shielding data from the public to a higher court.

In a February 14 ruling, a Sacramento superior court rejected attempts by Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric to keep aggregated customer data submitted to the Energy Commission hidden from the public. The same court on the same day also rejected Edison's claims that the Energy Commission's release of its annual peak-demand data would put it at a competitive disadvantage and harm ratepayers. The utilities insisted that the CEC failed to apply the more protective standard for trade secrets when it concluded that it could release the data.

"The court ruled in favor of the commission on all significant issues," said Claudia Chandler, CEC spokesperson.

Utilities are required to submit information on electricity demand to the Energy Commission for the agency's load forecasting.

On February 22, utilities, consumer advocates, the CEC, and independent generators filed briefs at the California Public Utilities Commission, insisting that regulators should either expand or restrict public access to data on which procurement decisions are based. As with the court ruling a week earlier, much of the debate centers on the definition of and the standard applied to "trade secrets." Those in favor of more openness—independent power producers and large power users—pointed to the Sacramento court decisions to bolster their argument. Utilities and some consumer advocates insisted that the rulings were not applicable to the CPUC proceeding (see sidebar).

"SDG&E finds the ruling to be flawed and incorrect as a matter of law and policy, but does not regard it as precedential for how SDG&E-sensitive procurement data should be treated, particularly by the CPUC," stated Denise King, utility spokesperson.

SDG&E and Edison said they had not decided whether to

continued on page 2

CEC's Utility Data ...continued from page 1

appeal to a higher court. PG&E did not respond to requests for comment by press time. Some say an appeal by one or more of the utilities is likely.

The three investor-owned utilities argued before the court that their bundled customer annual and quarterly capacity data should not be released because they are trade secrets. They fear that their competitors will use the information to raise the cost of purchased power. PG&E and Edison also contended that their customer quarterly energy data should be off limits to the public as well. In addition, PG&E and SDG&E wanted to shield from public scrutiny their planning quarterly capacity data.

"Doesn't provide economic value."

Confidentiality Tug of War

In its brief filed this week at the California Public Utilities Commission, the California Energy Commission insisted that utility data be protected only after Pacific Gas & Electric, Southern California Edison, or San Diego Gas & Electric proves that publicly releasing it would cause economic harm. The CPUC is reviewing confidentiality parameters that it applies to utility procurement under SB 1488, which seeks to balance data confidentiality against open decision making.

The Energy Commission encouraged the CPUC to provide for meaningful public participation and "not unduly complicate its review by identifying new categories of protected information that are not legally distinct from those already protected by law."

On the other hand, the three investor-owned utilities urged the CPUC to protect their procurement data from parties seeking to use them to their own advantage to ratepayers' disadvantage.

The Independent Energy Producers, the California Manufacturers and Technology Association, and Calpine insisted on transparent decision making and adoption of the CEC's presumption that submitted data are public.

"It is highly desirable that the primary agencies responsible for regulating California's public utilities employ a consistent set of rules which ensure open and transparent decision-making, while at the same time protecting information that is truly confidential," wrote the manufacturers' association.

The Division of Ratepayer Advocates was somewhere in the middle, agreeing on the need for public input but noting the complexity often involved in protecting customer data. "There must be a process for aggregating the data or a degree to which it can be masked without the data losing its usefulness for meaningful public participation or revealing underlying sensitive material," it stated.

The Utility Reform Network sided with Edison on most points but insisted that utilities bear the burden of showing the need for confidentiality. In addition, it would allow small ratepayers more access to data than generators and large power consumers.

—E.McC.

Superior court judge Gail Ohanesian rejected the trio's assertions that the CEC applied the incorrect legal test when concluding that it had the authority to release the data at issue. The commission may release confidential data "if the information has been masked or aggregated

to the point necessary to protect confidentiality," she held. The judge further dismissed the argument that the CEC failed to consider the "potential economic value" of the data. Utilities' contention that Energy Commission

witnesses provided flawed evidence also failed.

The second Sacramento Superior Court ruling involving Edison's annual peak-demand data held that publicly releasing the information would not harm the utility. "Disclosure of the annual electricity demand data does not provide economic value to entities buying energy from or selling energy to SCE," it concluded.

The dispute began when the three utilities urged the CEC to keep secret what they consider market-sensitive data to avoid giving generators a leg up in contract negotiations. The commission's executive director declined the

continued on page 4

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Legislators Comb Regulatory Energy Plans

If the regulatory version of the Million Solar Roofs program fails to significantly increase solar power in the state, the program may be derailed, said California Public Utilities Commission president Mike Peevey. During a February 22 Senate Energy, Utilities, and Commerce Committee hearing, Peevey sought to placate the committee chair, Senator Martha Escutia (D-Whittier), who raised concerns about the new program's cost and effectiveness. The plan set out by the commission would cost about \$2.55 billion over 10 years.

Peevey justified the commission's California Solar Initiative's price tag—\$750 million more than envisioned by the legislative version of the program—because it has a "broader reach" than last year's SB 1. The regulatory initiative will make California a leader in renewables and help make the solar industry self-sufficient, he added.

SB 1 was projected to cost \$1.8 billion.

Bernadette Del Chiaro, clean-energy advocate for Environment California, said the regulatory solar program is more costly because it includes additional research funds, money for a pilot program for solar hot water systems, and a set-aside for public outreach.

SB 1's estimated cost also did not include \$350 million earmarked from the California Energy Commission's emerging renewables program. When that amount is added to the CPUC program, its total cost rises to \$2.85 billion through 2017. The regulatory program is estimated to cost an average ratepayer about \$1 a month.

Peevey reassured Escutia that the program included safeguards to keep it from becoming a boondoggle. That includes a "trigger" giving regulators the "flexibility to cut back or change its directions" if needed. A program assessment is expected to be conducted in about two years.

After repeated grilling, Peevey said the commission had conducted a cost-benefit analysis of the program. It is slated to add 3,000 MW of solar power over the next decade. He agreed to provide the analysis to Escutia, adding that the commission will be spending the rest of the

year developing incentive standards based on actual output of a solar power system to replace controversial capacity-based incentives.

What deserves the most scrutiny, said Del Chiaro, "is the amount of money the utilities or the administrator of the program will get just for handing out the rebate checks."

Escutia also wanted to know what guidance Peevey would provide to help protect ratepayers from high natural gas bills.

The senator urged the development of a state master plan on natural gas to provide a clearer picture of future demand and costs, including which liquefied natural gas projects are needed and preferred. "We don't want to be an LNG colony," she warned. "I am concerned about fake crisis," she said, adding that now was the time to ask questions about projected need in a growing state.

Instead of developing a blueprint for natural gas policy and planning, Peevey said, he preferred to let the market decide the matter. He added, "We are not equipped to do an analysis." A surprised Escutia shot back, "If you aren't, who is?"

The Senate committee will hold an information hearing on natural gas March 7.

Escutia also asked the regulator to consider providing input on her bill SB 1059. That legislation seeks to have the California Energy Commission designate transmission corridors in the state (*Circuit*, Feb. 17, 2006).

Dana Appling, Division of Ratepayer Advocates director, also faced questioning from the committee. Unlike Peevey, she faced little criticism.

Appling pointed out that Escutia's SB 608, passed last year, had given her agency some needed independence in the budgetary and legal areas. "Now we have a cooperative relation with the [CPUC] president's office," she said. The DRA director now has her own attorney, and the advocate no longer solely borrows CPUC legal staff.

—Elizabeth McCarthy

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Otay Mesa Has SDG&E 'Nonbinding' Sale Letter

As anticipated by state regulators, Calpine hopes to sell its unfinished Otay Mesa power plant to San Diego Gas & Electric. A February 17 "nonbinding letter of intent" declares that the action is being contemplated and is subject to negotiations.

"It appears it will now go forward as a utility power plant," said John Bohn, California Public Utilities Commission member.

SDG&E spokesperson Ed Van Herik declined to provide specifics.

Some outside the utility, including potential opponents, were briefed on the concept. "I've been involved in the negotiations, so I'm constrained by a confidentiality agree-

ment," said Utility Consumers' Action Network executive director Michael Shames.

Van Herik would not comment on whether the utility has been using community and consumer groups as a sounding board for the political viability of a buyout.

Last week, CPUC member Geoffrey Brown worried that regulators' approval of the SDG&E-Calpine agreement could cause the plant to be used as a "bargaining chip" in sale negotiations (*Circuit*, Feb. 20, 2006).

A deal would have to be approved by the CPUC and the bankruptcy court with jurisdiction over Calpine.

—J.A. Savage

"Go forward as a utility plant."

Hunters Point Shutdown Imminent

Permanent closure of the half-century-old Hunters Point Power Plant is on schedule and set for early April. On February 23, owner Pacific Gas & Electric took one of the last steps needed to make way for the funeral. It filed an advice letter with the California Public Utilities Commission, asking it to speed up the protest period to March 3 and approve the advice letter proposing the shutdown by March 15.

Eight years ago, PG&E agreed to close the aging facility. The plant sits in the predominantly low-income Hunters Point community. PG&E's agreement with San Francisco,

approved by the CPUC, hinged on other projects, such as increased transmission into the area, coming on line to reduce dependency on the old polluting plant.

The completion of the Jefferson-Martin 230 kV transmission project and the 115 kV Potrero-Hunters Point line made way for the shutdown. In January, PG&E amended its reliability-must-run contract with the grid operator to allow the closure when the two high-voltage projects began operation.

—Elizabeth McCarthy

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